

CORUNNA PUBLIC SCHOOLS

CORUNNA, MICHIGAN

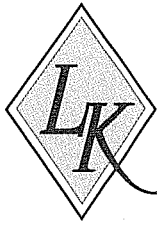
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

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*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

July 13, 2004

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Corunna Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corunna Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 13, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 17 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Corunna Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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The Corunna Public Schools is a Preschool through Twelfth Grade (P-12) school district located in Shiawassee County, Michigan. The district is comprised of one preschool, three elementary schools (grades K-5), one middle school (grades 6-8), and one high school (grades 9-12). Additionally, the district contracts with Baker College of Owosso to conduct an alternative education program for certain high school students. In total, the district's pupil count for the 2003-2004 school year was 2,251, a welcome increase from the 2002-2003 count of 2,162. This number does not include those enrolled or participating in other successful educational programs offered, specifically the preschool and school-age child care programs, the Adult Education program, and the Community Education's enrichment classes and camps, which are offered year-around.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**District Wide Financial Statements: (Continued)**

These two statements report the Corunna Public Schools' net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

**NET ASSETS SUMMARY**

	<u>2004</u>	<u>2003</u>
<b><u>ASSETS</u></b>		
Current Assets	\$5,115,515	\$5,963,776
Non-Current Assets	<u>13,941,427</u>	<u>13,146,519</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$19,056,942</u></b>	<b><u>\$19,110,295</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$2,502,665	\$1,621,138
Long-Term Liabilities	<u>6,155,205</u>	<u>6,490,205</u>
Total Liabilities	\$8,657,870	\$8,111,343
<b><u>NET ASSETS</u></b>		
Invested in Capital Assets - Net of Related Debt	7,451,222	7,876,145
Restricted - Debt Service	190,368	319,032
Restricted - Capital Projects	51,446	10,407
Unrestricted	<u>2,706,036</u>	<u>2,793,368</u>
Total Net Assets	<u>\$10,399,072</u>	<u>\$10,998,952</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$19,056,942</u></b>	<b><u>\$19,110,295</u></b>

CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**RESULTS OF OPERATIONS:**

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<b><u>REVENUES</u></b>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$1,225,722	\$1,104,129
Property Taxes Levied for Debt Service	570,596	535,956
State of Michigan Unrestricted Foundation Aid	13,209,885	13,287,693
Other General Revenues	<u>194,155</u>	<u>943,355</u>
Total General Revenues	\$15,200,358	\$15,871,133
<u>Operating Grants:</u>		
Federal	574,609	719,730
State of Michigan	926,619	627,245
Other Operating Grants	<u>355,828</u>	<u>170,052</u>
Total Operating Grants	\$1,857,056	\$1,517,027
<u>Charges for Services:</u>		
Food Service	451,651	432,518
Athletics	121,820	118,210
Other Charges for Services	<u>305,871</u>	<u>270,360</u>
Total Charges for Services	\$879,342	\$821,088
Total Revenues	\$17,936,756	\$18,209,248
<b><u>EXPENSES</u></b>		
Instruction & Instructional Support	9,919,828	9,685,178
Support Services	5,646,731	4,634,546
Community Services	49,498	15,272
Food Service	757,720	776,487
Athletics	515,670	521,225
Other Capital Projects	921,023	0
Interest on Long-Term Debt	302,638	359,799
Depreciation	<u>423,528</u>	<u>199,526</u>
Total Expenses	\$18,536,636	\$16,192,033
<b><u>INCREASE IN NET ASSETS</u></b>	(\$599,880)	\$2,017,215
<b><u>BEGINNING NET ASSETS</u></b>	<u>10,998,952</u>	<u>8,981,737</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>\$10,399,072</u></u>	<u><u>\$10,998,952</u></u>

CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$628,137 to a total of \$10,370,815. The largest portion of the net assets is the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$424,923 during the year due to depreciation and principal payments on related debt exceeding purchases of new capital assets. The District's Unrestricted Net Assets decreased by \$87,332 during the year and the restricted portion of the net assets decreased by \$115,882. The restricted Net Assets consist of the Investment in Capital Assets net of related debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The District's overall expenses exceeded its revenues for the year by \$628,137. The total revenues decreased by \$272,492 or 1% over last year's amounts. The major change was a reduction in state aid by \$74 per pupil. Expenditures increased by \$2,372,860 or 13% over last year. The majority of this significant increase is a result of a restatement of the prior year's construction in progress and a recalculation of fixed assets. In other words, most of this increase is simply "on paper" and does not involve actual cash expenditures. Actual General fund cash expenditures increased by \$316,253, Food Service expenditures decreased by \$60,459, and Athletics expenditures increased by \$808 from the previous fiscal year.

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's General fund is the chief operating fund of the district. Unreserved fund balance for the General fund decreased by \$92,627 during the year, with the decrease coming primarily from a reduction in cash. Revenues for the year increased by \$349,530, primarily from the increase in the number of pupils from the year before and the resulting State Aid received. Expenditures and other financing uses increased by \$453,322, primarily as a result of increased costs of health insurance. The major source of General fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per-Student Foundation Allowance:

Annually, the State of Michigan establishes the per-student foundation allowance. The Corunna Public Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.



CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 2,251 students, an increase of 89 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

In 2003-2004 the District levied 17.3283 mills of property taxes for operations (General fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$1,223,148, an increase of \$121,260 from the prior year.

Capital Projects Fund

The district's Capital Projects fund balance decreased by \$1,593,792 as the construction project was completed. The only revenue for the year was \$5,156 of investment earnings and \$300,000 in transfers from the general fund.

Debt Retirement Fund

The district's Debt Retirement fund balance decreased by \$128,664. The fund balance is restricted to use for payments on bonded debt. The fund had expenditures of \$701,913 in paying the required interest and principal payments on the school's bonded debt. The majority of the fund's revenue is derived from tax collections. An analysis of this fund follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's Debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead.

For 2003-2004, the District's debt millage levy was 2.50 mills, which generated revenue of \$570,334, an increase of \$34,414 from the prior year.

Special Revenue Funds

The district's Special Revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$21,020. Food Service fund revenue increased by \$4,864, primarily from the increased student enrollment. Athletic fund revenue increased by \$13,418, primarily from an increase in transfers from the General fund.

CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual &amp; Original Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$15,750,475	\$16,383,288	\$16,467,290	4.55	0.51
Expenditures	16,226,506	16,528,350	16,559,917	(2.05)	(0.19)
<u>TOTAL</u>	<u>(\$476,031)</u>	<u>(\$145,062)</u>	<u>(\$92,627)</u>		

**ANALYSIS OF BUDGETS:**

All school districts are required to present to the public and to approve a budget for the next fiscal year by June 30 of the current fiscal year. The Corunna Public Schools Board of Education adopted the 2003-2004 budget on June 16, 2003. In answer to significant changes that occur in revenues and expenditures throughout the year, our Board may present and adopt a revised budget, as it did on February 9, 2004. A report that is somewhat new to this annual financial report is found above. It shows the General fund's budgets, original and final, versus the actual revenues and expenses for the year. One can easily see how the budget is, in many ways, an educated guess, at best, and a moving target, in any event.

As with last year, the Board allowed the district to operate on a deficit budget. Since the district's fund equity is healthy, the Board chose to not make reductions in programs, services or personnel but, instead, to dip into its savings again, so to speak. The Board agreed that this year's deficit in the General fund was manageable and acceptable in order to keep the district's mission in the forefront.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

A. Debt, Principal Payments

The District made principal payments on bonded, long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	<u>Principal Balance 7-01-03</u>	<u>Increases 6-30-04</u>	<u>Principal Payments 6-30-04</u>	<u>Principal Balance 6-30-04</u>
Bonds Payable	\$6,905,205	\$0	\$415,000	\$6,490,205

CORUNNA PUBLIC SCHOOLS  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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**CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

B. Net Investment in Capital Assets

The district's net investment in capital assets increased by \$5,639,214 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$17,742,282	\$7,072,065	\$789,497	\$24,024,850
Less: Accumulated Depreciation	(9,650,258)	(775,542)	(342,377)	(10,083,423)
<u>Net Investment Capital Outlay</u>	<u>\$8,092,024</u>	<u>\$6,296,523</u>	<u>\$447,120</u>	<u>\$13,941,427</u>

In 2001, Corunna voters approved a \$6.685 million, general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and partially remodeling of existing school facilities, and equipping and re-equipping facilities. The District still has \$50,518 left to spend on this bond project as of June 30, 2004. More specifically, these dollars were used, and are being used, to renovate two buildings, the Olmsted Pool building and the Corunna Middle School building. The entire pool itself is new, as are spectator areas and locker rooms that surround it. The Middle School now has a more safe and secure entrance area for students, well-lit hallways, additional classrooms, a renovated cafeteria, and other enhancements and construction that allow the building personnel and the building itself to better handle the present and anticipated enrollment.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Corunna Public Schools.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
STATEMENTS OF NET ASSETS  
JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$2,479,306	\$3,223,914
Accounts Receivable	58,418	91,393
Property Taxes Receivable	163	0
Due from Other Governmental Units	2,559,465	2,583,023
Prepaid Expenses	8,922	56,929
Inventory	9,241	8,517
Total Current Assets	\$5,115,515	\$5,963,776
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	0	5,054,494
Capital Assets	24,024,850	17,742,282
Less: Accumulated Depreciation	(10,083,423)	(9,650,257)
Total Noncurrent Assets	\$13,941,427	\$13,146,519
<u>TOTAL ASSETS</u>	\$19,056,942	\$19,110,295
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	93,417	222,822
State Aid Note Payable	950,000	0
Accrued Expense	66,243	50,518
Salaries Payable	935,323	898,634
Deferred Revenue	122,682	34,164
Current Portion of Long-Term Obligations	335,000	415,000
Total Current Liabilities	\$2,502,665	\$1,621,138
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	6,155,205	6,490,205
<u>TOTAL LIABILITIES</u>	\$8,657,870	\$8,111,343
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	7,451,222	7,876,145
Restricted for:		
Debt Retirement	190,368	319,032
Capital Projects	51,446	10,407
Unrestricted	2,706,036	2,793,368
<u>TOTAL NET ASSETS</u>	\$10,399,072	\$10,998,952

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
STATEMENTS OF ACTIVITIES  
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003
	Expenses	Charges For Services	Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				Net (Expense) Revenue & Change in Net Assets
Instruction	\$9,919,828	\$31,301	\$1,327,747	(\$8,560,780)
Support Services	5,646,731	274,570	213,505	(4,419,311)
Community Services	49,498	0	0	(15,272)
Food Service	757,720	451,651	315,804	(13,250)
Athletics	515,670	121,820	0	(403,015)
Other Capital Projects	921,023	0	0	0
Interest - Long-Term Obligations	302,638	0	0	(359,799)
Depreciation - Unallocated	423,528	0	0	(199,526)
<b>TOTALS</b>	<b>\$18,536,636</b>	<b>\$879,342</b>	<b>\$1,857,056</b>	<b>(\$15,800,238)</b>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				1,796,318
State Aid				13,209,885
Investment Earnings				27,219
Miscellaneous				166,936
Total General Revenues and Transfers				\$15,200,358
Change in Net Assets				(\$599,880)
Net Assets - Beginning - As Restated				10,998,952
<u>Net Assets - Ending</u>				<u>\$10,399,072</u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$2,125,114	\$354,192	\$2,479,306
Accounts Receivable	58,418	0	58,418
Property Taxes Receivable	0	163	163
Due from Other Governmental Units	2,553,240	6,225	2,559,465
Due from Other Funds	9,760	0	9,760
Prepaid Expenses	8,697	225	8,922
Inventory	0	9,241	9,241
<u>TOTAL ASSETS</u>	<u>\$4,755,229</u>	<u>\$370,046</u>	<u>\$5,125,275</u>
<u>LIABILITIES</u>			
Accounts Payable	\$65,298	\$28,119	\$93,417
State Aid Note Payable	950,000	0	950,000
Due to Other Funds	0	9,760	9,760
Salaries Payable	935,323	0	935,323
Deferred Revenue	122,682	0	122,682
Total Liabilities	\$2,073,303	\$37,879	\$2,111,182
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	9,241	9,241
Debt Retirement	0	190,368	190,368
Capital Projects	0	51,446	51,446
Designated for Subsequent Year Expenditures	7,886	0	7,886
Unreserved:			
Undesignated, Reported In:			
General Fund	2,674,040	0	2,674,040
School Service Funds	0	81,112	81,112
Total Fund Balances	<u>\$2,681,926</u>	<u>\$332,167</u>	<u>\$3,014,093</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$4,755,229</u>	<u>\$370,046</u>	<u>\$5,125,275</u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

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Total Governmental Fund Balances:	\$3,014,093
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$24,024,850 and the accumulated depreciation is \$10,083,423	13,941,427
Accrued Interest on Long-Term Debt	(66,243)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds Payable	<u>(6,490,205)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>	<u>\$10,399,072</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$1,762,225	\$1,153,662	\$2,915,887
State Sources	14,093,235	43,269	14,136,504
Federal Sources	302,074	272,535	574,609
Total Revenues	\$16,157,534	\$1,469,466	\$17,627,000
<u>EXPENDITURES</u>			
Current:			
Instruction	9,845,032	0	9,845,032
Student Services	354,784	0	354,784
Instructional Support	776,921	0	776,921
General Administration	303,696	0	303,696
School Administration	1,382,923	0	1,382,923
Business Administration	239,820	0	239,820
Operation & Maintenance of Plant	1,756,905	0	1,756,905
Transportation	762,235	0	762,235
Support Services - Other	396,522	0	396,522
Community Services	49,498	0	49,498
Food Service	0	1,255,041	1,255,041
Debt Service	0	701,913	701,913
Capital Outlay	0	1,898,948	1,898,948
Total Expenditures	\$15,868,336	\$3,855,902	\$19,724,238
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	\$289,198	(\$2,386,436)	(\$2,097,238)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(685,000)	685,000	0
Other Transfers	303,175	0	303,175
Total Other Financing Sources (Uses)	(\$381,825)	\$685,000	\$303,175
Net Change in Fund Balance	(\$92,627)	(\$1,701,436)	(\$1,794,063)
<u>FUND BALANCE - BEGINNING</u>	2,774,553	2,033,603	4,808,156
<u>FUND BALANCE - ENDING</u>	\$2,681,926	\$332,167	\$3,014,093

See accompanying notes to the basic financial statements.



CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

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Total net change in fund balances - governmental funds	(\$1,794,063)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

794,908

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.

415,000

Change in accrued interest on long-term liabilities

(15,725)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(\$599,880)

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

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	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$113,899</u>
<u>TOTAL ASSETS</u>	<u><u>\$113,899</u></u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$113,899</u>
<u>TOTAL LIABILITIES</u>	<u><u>\$113,899</u></u>

See accompanying notes to the basic financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Corunna Public Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Fifth Third Bank, Chemical Bank, Republic Bank, Bank One and Shiawassee Community Credit Union. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$2,593,205 and the bank balance was \$2,861,221. \$337,589 of the bank balance was covered by federal depository insurance and \$2,523,632 was uninsured and uncollateralized.



CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments as of June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 2,558,417
Federal Grants	1,048
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 2,559,465</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had no estimated claims in conjunction with the program.

8) COMPENSATED ABSENCES

Accumulated unpaid sick pay and personal days are not accrued by the School District. Substantially all District employees are allowed to accumulate a limited number of sick days; however, these days do not vest to the employee and are not payable upon termination. Accumulated unpaid sick and personal days for the School District at June 30, 2004, was \$2,522,226.

9) SHORT-TERM DEBT

The District borrowed \$950,000 at 1.02% interest per annum on August 20, 2003, from Chemical Bank – Key State on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The note matures August 20, 2004.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

10) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$13,779,125	\$6,585,540	\$0	\$20,364,665
Land Improvements	488,137	70,000	37,870	520,267
Equipment and Furniture	1,866,984	340,803	478,624	1,729,163
Vehicles	1,608,036	75,722	273,003	1,410,755
Totals at Historical Cost	<u>\$17,742,282</u>	<u>\$7,072,065</u>	<u>\$789,497</u>	<u>\$24,024,850</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(7,305,493)	(423,973)	0	(7,729,466)
Land Improvements	(335,115)	(11,111)	0	(346,226)
Equipment and Furniture	(970,610)	(230,940)	(244,831)	(956,719)
Vehicles	(1,039,040)	(109,518)	(97,546)	(1,051,012)
Total Accumulated Depreciation	<u>(\$9,650,258)</u>	<u>(\$775,542)</u>	<u>(\$342,377)</u>	<u>(\$10,083,423)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$8,092,024</u>	<u>\$6,296,523</u>	<u>\$447,120</u>	<u>\$13,941,427</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 74,796
Support Services	258,869
Food Service	413
Athletics	17,936
Unallocated	<u>423,528</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 775,542</u>

Investment in capital assets – net of related debt consists of the following:

Capital Assets	\$ 23,844,455
Less: Accumulated Depreciation	(10,101,341)
Less: Long-Term Liabilities	<u>(6,490,205)</u>
<u>TOTAL</u>	<u>\$ 7,252,909</u>

11) FUND EQUITY RESTATEMENT

For the fiscal year ended June 30, 2004, net assets beginning of year has been restated due a change in net fixed assets as follows:

Net Assets – July 1, 2003 - Before Restatement	\$ 8,260,717
Addition to Net Fixed Assets	<u>721,020</u>
<u>NET ASSETS – JULY 1, 2003 – AS RESTATED</u>	<u>\$ 8,981,737</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

12) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$130,645 and the School District received a dividend refund of \$27,294.

13) GENERAL LONG-TERM DEBT

A) 1992 Refunding Bonds

Corunna Public Schools has issued Refunding Bonds dated September 8, 1992, in the amount of \$3,205,000, bearing interest at rates varying from 5.0% to 5.5% per annum. The balance of the bonds as of June 30, 2003 was \$300,000. As of June 30, 2004, \$0 of the defeased debt remained outstanding in the custody of the escrow agent.

B) 2001 School Building and Site Bonds

Corunna Public Schools has issued General Obligation Bonds dated July 13, 2001, in the amount of \$6,685,000, bearing interest at rates varying from 4.100% to 4.375% per annum. The balance of the bonds as of June 30, 2004 was \$6,345,000.

C) Durant Resolution Package Bonds

Corunna Public Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$227,286 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$145,205. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	BONDS		
	PAYABLE	INTEREST	TOTAL
June 30, 2005	\$335,000	\$265,692	\$600,692
June 30, 2006	381,001	256,917	637,918
June 30, 2007	401,523	241,131	642,654
June 30, 2008	422,074	224,495	646,569
June 30, 2009	447,649	207,007	654,656
June 30, 2010-2014	2,637,958	755,789	3,393,747
June 30, 2015-2018	1,865,000	164,332	2,029,332
<u>TOTAL</u>	<u>\$6,490,205</u>	<u>\$2,115,363</u>	<u>\$8,605,568</u>

The payment dates of sick days payable is undeterminable.

The interest expenditures on long-term obligations for the year were \$295,225.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

13) GENERAL LONG-TERM DEBT (Continued)

E) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	<u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>JUNE 30, 2004</u>	<u>IN ONE YEAR</u>
Bonds Payable	\$6,905,205	\$0	\$415,000	\$6,490,205	\$335,000

14) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

	<b>DUE FROM</b>
<b>DUE TO</b>	SPECIAL REVENUE FUND
General Fund	\$9,760

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

15) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

	<b>TRANSFERS FROM</b>
<b>TRANSFERS TO</b>	GENERAL FUND
Special Revenue Fund	\$385,000
Other Capital Projects	300,000
<u>TOTAL</u>	<u>\$685,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

16) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

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16) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$1,282,590, \$1,238,187 and \$1,134,198, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

17) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty, theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. The pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from significant adverse financial impact.

18) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Title I grant. This program is subject to program compliance audits. The audit of this program for and including the year ended June 30, 2004, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

19) SUBSEQUENT EVENT

On August 20, 2004, the District borrowed \$955,000 at 1.55% per annum from JP Morgan Trust Company on a State Aid Anticipation Note. The note proceeds will be used to meet cash flow needs for the 2004-2005 fiscal year.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

CORUNNA COMMUNITY SCHOOLS  
CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$1,482,950	\$1,568,377	\$1,762,225	\$193,848
State Sources	13,611,836	14,242,332	14,093,235	(149,097)
Federal Sources	408,189	356,706	302,074	(54,632)
Total Revenues	\$15,502,975	\$16,167,415	\$16,157,534	(\$9,881)
<u>EXPENDITURES</u>				
Current:				
Instruction	9,912,180	9,996,993	9,845,032	151,961
Student Services	316,010	336,998	354,784	(17,786)
Instructional Support	797,403	827,096	776,921	50,175
General Administration	394,540	412,306	303,696	108,610
School Administration	1,357,156	1,361,632	1,382,923	(21,291)
Business Administration	166,932	169,715	239,820	(70,105)
Operation & Maintenance of Plant	1,499,926	1,554,115	1,756,905	(202,790)
Transportation	742,639	790,208	762,235	27,973
Support Services - Other	315,602	342,977	396,522	(53,545)
Community Services	49,118	51,310	49,498	1,812
Total Expenditures	\$15,551,506	\$15,843,350	\$15,868,336	(\$24,986)
Excess of Revenues Over Expenditures	(\$48,531)	\$324,065	\$289,198	(\$34,867)
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(427,500)	(469,127)	(381,825)	87,302
	(\$476,031)	(\$145,062)	(\$92,627)	\$52,435
<u>FUND BALANCE - BEGINNING</u>			2,774,553	
<u>FUND BALANCE - ENDING</u>			\$2,681,926	

OTHER SUPPLEMENTAL  
INFORMATION



CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2004

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$89,472	\$190,205	\$74,515	\$354,192
Property Taxes Receivable	0	163	0	163
Due from Other Governmental Units	6,225	0	0	6,225
Prepaid Expenses	225	0	0	225
Inventory	9,241	0	0	9,241
<u>TOTAL ASSETS</u>	<u>\$105,163</u>	<u>\$190,368</u>	<u>\$74,515</u>	<u>\$370,046</u>
<u>LIABILITIES</u>				
Accounts Payable	\$5,050	\$0	\$23,069	\$28,119
Due to Other Funds	9,760	0	0	9,760
Total Liabilities	\$14,810	\$0	\$23,069	\$37,879
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	9,241	0	0	9,241
Debt Retirement	0	190,368	0	190,368
Capital Projects	0	0	51,446	51,446
Unreserved:				
Undesignated, Reported In:				
School Service Fund	81,112	0	0	81,112
Total Fund Balances	\$90,353	\$190,368	\$51,446	\$332,167
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$105,163</u>	<u>\$190,368</u>	<u>\$74,515</u>	<u>\$370,046</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Other Governmental Funds
<u>REVENUES</u>				
Local Sources	\$575,257	\$573,249	\$5,156	\$1,153,662
State Sources	43,269	0	0	43,269
Federal Sources	272,535	0	0	272,535
Total Revenues	<u>\$891,061</u>	<u>\$573,249</u>	<u>\$5,156</u>	<u>\$1,469,466</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>385,000</u>	<u>0</u>	<u>300,000</u>	<u>685,000</u>
Total Revenues & Other Financing Sources	<u>\$1,276,061</u>	<u>\$573,249</u>	<u>\$305,156</u>	<u>\$2,154,466</u>
<u>EXPENDITURES</u>				
Food Service	1,255,041	0	0	1,255,041
Debt Service	0	701,913	0	701,913
Capital Outlay	0	0	1,898,948	1,898,948
Total Expenditures	<u>\$1,255,041</u>	<u>\$701,913</u>	<u>\$1,898,948</u>	<u>\$3,855,902</u>
Net Change in Fund Balance	<u>\$21,020</u>	<u>(\$128,664)</u>	<u>(\$1,593,792)</u>	<u>(\$1,701,436)</u>
<u>NET ASSETS - BEGINNING</u>	<u>69,333</u>	<u>319,032</u>	<u>1,645,238</u>	<u>2,033,603</u>
<u>NET ASSETS - ENDING</u>	<u>\$90,353</u>	<u>\$190,368</u>	<u>\$51,446</u>	<u>\$332,167</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
SPECIAL REVENUE FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$70,429	\$19,043	\$89,472
Due from Other Governmental Units	6,225	0	6,225
Prepaid Expenses	0	225	225
Inventory	9,241	0	9,241
<u>TOTAL ASSETS</u>	<u>\$85,895</u>	<u>\$19,268</u>	<u>\$105,163</u>
<u>LIABILITIES</u>			
Accounts Payable	\$23	\$5,027	\$5,050
Due to Other Funds	2,653	7,107	9,760
Total Liabilities	\$2,676	\$12,134	\$14,810
<u>FUND EQUITY</u>			
Reserved for Inventory	9,241	0	9,241
Unreserved and Undesignated	73,978	7,134	81,112
Total Fund Equity	\$83,219	\$7,134	\$90,353
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$85,895</u>	<u>\$19,268</u>	<u>\$105,163</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
SPECIAL REVENUE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>Local Sources</u>			
Cafeteria Sales	\$451,651	\$0	\$451,651
Athletic Activities	0	121,820	121,820
Earnings on Investments and Deposits	256	308	564
Other Local Revenues	935	287	1,222
Total Local Sources	<u>\$452,842</u>	<u>\$122,415</u>	<u>\$575,257</u>
<u>State Sources</u>			
State Reimbursements	43,269	0	43,269
<u>Federal Sources</u>			
Federal Reimbursements	229,733	0	229,733
Commodities	42,802	0	42,802
Total Federal Sources	<u>\$272,535</u>	<u>\$0</u>	<u>\$272,535</u>
Total Revenues	<u>\$768,646</u>	<u>\$122,415</u>	<u>\$891,061</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	385,000	385,000
Total Revenues and Other Financing Sources	<u>\$768,646</u>	<u>\$507,415</u>	<u>\$1,276,061</u>
<u>EXPENDITURES</u>			
Salaries - Professional	28,872	76,236	105,108
Salaries - Non-Professional	220,064	195,290	415,354
Insurances	38,606	25,089	63,695
Fica, Retirement, Etc.	51,748	56,153	107,901
Other Benefits	4,800	0	4,800
Purchased Services	14,881	45,755	60,636
Supplies and Materials	376,270	67,542	443,812
Capital Outlay	14,489	19,866	34,355
Other	7,577	11,803	19,380
Total Expenditures	<u>\$757,307</u>	<u>\$497,734</u>	<u>\$1,255,041</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES</u>	<u>\$11,339</u>	<u>\$9,681</u>	<u>\$21,020</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$71,880</u>	<u>(\$2,547)</u>	<u>\$69,333</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$83,219</u>	<u>\$7,134</u>	<u>\$90,353</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>1992</u> <u>DEBT</u>	<u>2001</u> <u>DEBT</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$0	\$190,205	\$190,205
Property Taxes Receivable	<u>0</u>	<u>163</u>	<u>163</u>
<u>TOTAL ASSETS</u>	<u>\$0</u>	<u>\$190,368</u>	<u>\$190,368</u>
<u>FUND EQUITY</u>			
Reserved - Debt Retirement	<u>\$0</u>	<u>\$190,368</u>	<u>\$190,368</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

	1992 DEBT	2001 DEBT	Total After Inter-fund Eliminations
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Taxes	\$146,945	\$423,651	\$570,596
Earnings on Investments and Deposits	1,014	1,639	2,653
Total Local Sources	<u>\$147,959</u>	<u>\$425,290</u>	<u>\$573,249</u>
<u>OTHER FINANCING SOURCES</u>			
Transfer from Other Debt Funds	<u>0</u>	<u>7,928</u>	<u>0</u>
Total Revenues and Other Financing Sources	<u>\$147,959</u>	<u>\$433,218</u>	<u>\$573,249</u>
<u>EXPENDITURES</u>			
Redemption of Bond Principal	300,000	115,000	415,000
Interest on Bonded Debt	16,500	270,408	286,908
Other	<u>0</u>	<u>5</u>	<u>5</u>
Total Expenditures	<u>\$316,500</u>	<u>\$385,413</u>	<u>\$701,913</u>
<u>OTHER FINANCING USES</u>			
Transfer to Other Debt Funds	<u>7,928</u>	<u>0</u>	<u>0</u>
Total Expenditures and Other Financing Uses	<u>\$324,428</u>	<u>\$385,413</u>	<u>\$701,913</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</u>	<u>(\$176,469)</u>	<u>\$47,805</u>	<u>(\$128,664)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$176,469</u>	<u>\$142,563</u>	<u>\$319,032</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$0</u>	<u>\$190,368</u>	<u>\$190,368</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
CAPITAL PROJECTS FUND  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>2001</u> <u>Capital Projects</u>	<u>Other</u> <u>Capital Projects</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$73,587</u>	<u>\$928</u>	<u>\$74,515</u>
<u>TOTAL ASSETS</u>	<u><u>\$73,587</u></u>	<u><u>\$928</u></u>	<u><u>\$74,515</u></u>
<u>LIABILITIES</u>			
Accounts Payable	\$23,069	\$0	\$23,069
<u>FUND EQUITY</u>			
Reserved - Capital Projects	<u>50,518</u>	<u>928</u>	<u>51,446</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u><u>\$73,587</u></u>	<u><u>\$928</u></u>	<u><u>\$74,515</u></u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
CAPITAL PROJECTS FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>2001</u> <u>Capital Projects</u>	<u>Other</u> <u>Capital Projects</u>	<u>Total</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Earnings on Investments and Deposits	\$5,041	\$115	\$5,156
<u>OTHER FINANCING SOURCES</u>			
Transfer from General Fund	0	300,000	300,000
Total Revenues and Other Financing Sources	<u>\$5,041</u>	<u>\$300,115</u>	<u>\$305,156</u>
<u>EXPENDITURES</u>			
Building/Site Acquisitions	0	89,210	89,210
Building Construction & Improvements	1,487,948	220,384	1,708,332
Furniture and Equipment	61,706	0	61,706
Other	39,700	0	39,700
Total Expenditures	<u>\$1,589,354</u>	<u>\$309,594</u>	<u>\$1,898,948</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES (UNDER) EXPENDITURES</u>	<u>(\$1,584,313)</u>	<u>(\$9,479)</u>	<u>(\$1,593,792)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>1,634,831</u>	<u>\$10,407</u>	<u>\$1,645,238</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$50,518</u>	<u>\$928</u>	<u>\$51,446</u>



INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE YEAR ENDED JUNE 30, 2004

REVENUES FROMLocal Sources

Property Tax Levy	\$1,225,722
Earnings on Investments and Deposits	18,846
Enrichment Classes	274,570
Tuition	19,200
Medicaid	67,910
Other Local Revenues	155,977
Total Revenues from Local Sources	<u>\$1,762,225</u>

State Sources

## Unrestricted

State Aid - Foundation - Sec. 20	13,209,885
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## Restricted

At Risk	275,221
Special Education	354,852
Adult Education	31,825
Vocational Education	50,628
Gifted and Talented	
Drivers Education	13,258
Michigan School Readiness	69,180
Durant	22,729
State Grants from ISD	65,657
Total Revenues from State Sources	<u>\$14,093,235</u>

Federal Sources

Title I	203,672
Title V	1,729
Enhancing Education through Technology	4,927
Improving Teacher Quality	84,746
Grants from ISD	7,000
Total Revenues from Federal Sources	<u>\$302,074</u>
Total Revenues	<u>\$16,157,534</u>

OTHER FINANCING SOURCES

Sale of Assets	3,937
Refund Prior Year Expenditures	28,659
County Special Education Tax	277,160
Total Other Financing Sources	<u>\$309,756</u>

TOTAL REVENUES AND OTHER FINANCING SOURCES

\$16,467,290

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$2,091,854
Salaries - Non-Professional	146,854
Insurances	448,264
Fica, Retirement, Etc.	466,056
Other Benefits	6,500
Purchased Services	10,721
Supplies and Materials	77,493
Capital Outlay	120,281
Total Elementary	<u>\$3,368,023</u>

Middle School

Salaries - Professional	1,266,232
Salaries - Non-Professional	16,982
Insurances	250,748
Fica, Retirement, Etc.	264,288
Other Benefits	2,200
Purchased Services	7,062
Supplies and Materials	47,954
Capital Outlay	35,423
Other	1,149
Total Middle School	<u>\$1,892,038</u>

High School

Salaries - Professional	1,233,540
Salaries - Non-Professional	63,634
Insurances	254,382
Fica, Retirement, Etc.	266,556
Other Benefits	2,000
Purchased Services	52,589
Supplies and Materials	50,546
Capital Outlay	15,190
Other	6,776
Total High School	<u>\$1,945,213</u>

Preschool - Children's Services

Salaries - Professional	30,404
Salaries - Non-Professional	136,138
Insurances	13,443
Fica, Retirement, Etc.	33,801
Purchased Services	2,505
Supplies and Materials	17,095
Total Preschool - Children's Services	<u>\$233,386</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)BASIC PROGRAMS (Continued)Summer School - HS

Salaries - Professional	\$37
Fica, Retirement, Etc.	8
Total Summer School - HS	<u>\$45</u>

Total Basic Programs \$7,438,705

ADDED NEEDSSpecial Education

Salaries - Professional	769,847
Salaries - Non-Professional	73,874
Insurances	156,826
Fica, Retirement, Etc.	173,959
Other Benefits	1,200
Purchased Services	3,632
Supplies and Materials	15,779
Capital Outlay	3,200
Other	950
Total Special Education	<u>\$1,199,267</u>

Compensatory Education

Salaries - Professional	69,289
Salaries - Non-Professional	167,581
Insurances	13,545
Fica, Retirement, Etc.	48,693
Purchased Services	60,938
Supplies and Materials	62,758
Total Compensatory Education	<u>\$422,804</u>

Vocational Education - High School

Salaries - Professional	450,849
Salaries - Non-Professional	6,312
Insurances	68,511
Fica, Retirement, Etc.	94,677
Other Benefits	1,000
Purchased Services	30,987
Supplies and Materials	33,893
Capital Outlay	30,621
Other	187
Total Vocational Education - High School	<u>\$717,037</u>

Total Added Needs \$2,339,108

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)

Adult Education

Salaries - Professional	\$39,690
Insurances	13,653
Fica, Retirement, Etc.	7,109
Purchased Services	4,699
Supplies and Materials	30
Capital Outlay	1,654
Other	384
Total Adult Education	<u>\$67,219</u>

<u>Total Instruction</u>	\$9,845,032
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SUPPORT SERVICES

Student Services

Salaries - Professional	184,136
Salaries - Non-Professional	47,226
Insurances	71,311
Fica, Retirement, Etc.	47,626
Other Benefits	200
Purchased Services	259
Supplies and Materials	2,727
Capital Outlay	1,299
Total Student Services	<u>\$354,784</u>

Instructional Staff

Professional Development

Salaries - Professional	69,028
Salaries - Non-Professional	119,386
Insurances	11,053
Fica, Retirement, Etc.	38,972
Purchased Services	22,757
Supplies and Materials	41,951
Other	3,279
Total Professional Development	<u>\$306,426</u>

Library

Salaries - Professional	153,318
Salaries - Non-Professional	82,247
Insurances	15,693
Fica, Retirement, Etc.	48,711
Other Benefits	1,200
Purchased Services	1,979
Supplies and Materials	23,255
Capital Outlay	29,992
Total Library	<u>\$356,395</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)Instructional Staff (Continued)Children's Services

Salaries - Professional	\$61,548
Salaries - Non-Professional	13,429
Insurances	16,253
Fica, Retirement, Etc.	15,014
Purchased Services	3,085
Supplies and Materials	2,868
Capital Outlay	1,470
Other	433
Total Children's Services	<u>\$114,100</u>

Total Instructional Staff	\$776,921
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General AdministrationBoard of Education

Salaries - Professional	9,241
Purchased Services	24,678
Supplies and Materials	3,727
Other	6,217
Total Board of Education	<u>\$43,863</u>

Executive Administration

Salaries - Professional	99,817
Salaries - Non-Professional	46,180
Insurances	27,981
Fica, Retirement, Etc.	30,036
Other Benefits	7,100
Purchased Services	41,818
Supplies and Materials	4,090
Capital Outlay	621
Other	2,190
Total Executive Administration	<u>\$259,833</u>

Total General Administration	\$303,696
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School Administration

Salaries - Professional	649,049
Salaries - Non-Professional	217,226
Insurances	204,324
Fica, Retirement, Etc.	178,235
Other Benefits	1,200
Purchased Services	66,088
Supplies and Materials	36,624
Capital Outlay	25,639
Other	4,538
Total School Administration	<u>\$1,382,923</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

SUPPORT SERVICES (Continued)Business Office

Salaries - Professional	\$85,879
Salaries - Non-Professional	22,296
Insurances	31,293
Fica, Retirement, Etc.	22,419
Other Benefits	1,200
Purchased Services	55,801
Supplies and Materials	3,174
Other	17,758
Total Business Office	<u>\$239,820</u>

Operation and Maintenance of Plant

Salaries - Professional	47,269
Salaries - Non-Professional	535,421
Insurances	204,936
Fica, Retirement, Etc.	121,288
Purchased Services	275,468
Supplies and Materials	525,393
Capital Outlay	44,688
Other	2,442
Total Operation and Maintenance of Plant	<u>\$1,756,905</u>

Transportation

Salaries - Professional	47,153
Salaries - Non-Professional	358,153
Insurances	55,136
Fica, Retirement, Etc.	84,881
Other Benefits	50
Purchased Services	27,374
Supplies and Materials	118,645
Capital Outlay	67,277
Other	3,566
Total Transportation	<u>\$762,235</u>

Other Support Services

Salaries - Non-Professional	557
Fica, Retirement, Etc.	21
Purchased Services	318,703
Supplies and Materials	60,420
Capital Outlay	16,821
Total Other Support Services	<u>\$396,522</u>

Total Support Services

\$5,973,806

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

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COMMUNITY SERVICES

Salaries - Non-Professional	\$36,430
Fica, Retirement, Etc.	2,314
Purchased Services	300
Supplies and Materials	10,192
Other	262
Total Community Services	<u>\$49,498</u>

Total Expenditures \$15,868,336

OTHER FINANCING USES

Adjustment Prior Year Expenditures	6,581
Transfers to Other Funds	685,000
Total Other Financing Uses	<u>\$691,581</u>

TOTAL EXPENDITURES AND OTHER  
FINANCING USES

\$16,559,917



CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
TRUST AND AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS JULY 1, 2003	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2004
<u>HIGH SCHOOL</u>				
Art Club	\$2,570	\$8,226	\$9,662	\$1,134
Auto Shop	0	17,765	19,291	(1,526)
Band Misc.	1,456	4,522	3,960	2,018
Banquet Account	1,990	600	601	1,989
Cavalier Gear	11,255	2,612	7,593	6,274
Cheerleaders	989	5,185	5,448	726
Choir	84	497	407	174
Class Of 2001	5,365	0	0	5,365
Class Of 2003	5,345	37	0	5,382
Class Of 2004	3,634	4,357	7,033	958
Class Of 2005	3,391	858	208	4,041
Class Of 2006	2,338	3,636	1,900	4,074
Class Of 2007	0	2,589	1,881	708
Drama Club	8,157	5,083	5,898	7,342
Electricity	0	33	0	33
FFA	2,619	50,435	50,781	2,273
Flower Fund	141	475	480	136
Graphic Arts	973	875	744	1,104
Interest on Savings	1,986	6,017	3,779	4,224
Library Misc.	1,155	746	0	1,901
Metal	0	270	0	270
Miscellaneous	258	29,286	28,405	1,139
National Honor Society	773	3,188	2,922	1,039
Pom-Pom Squad	225	1,656	1,828	53
Science Club	7,068	39,941	40,901	6,108
Ski Club	309	458	387	380
Spanish Club	0	2,112	1,220	892
Student Council	5,009	7,188	8,467	3,730
Swim Memorial	455	0	455	0
Teachers Machines	86	914	670	330
Track (Champ. Of Champ.)	182	0	0	182
Woods	242	2,651	2,973	(80)
Yearbook	15,150	8,167	14,443	8,874
Total High School	\$83,205	\$210,379	\$222,337	\$71,247

## CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN

## TRUST AND AGENCY FUND

## SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS JULY 1, 2003	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2004
<u>MIDDLE SCHOOL</u>				
Band Fund	\$223	\$3,185	\$2,824	\$584
Cheerleaders	231	0	0	231
Choir	398	0	0	398
Industrial Arts Tech	1,662	909	778	1,793
Interest Fund	0	85	0	85
Journalism	941	395	833	503
Library	961	4,210	4,137	1,034
OM	16	0	16	0
Pencil Machine	18	589	784	(177)
Pep Club	2,991	28,919	27,721	4,189
Picture Fund	124	3,044	2,917	251
Six Grade Store	0	1,328	1,242	86
Staff Flowers	0	750	568	182
Stamp N Coin Club	41	0	41	0
Teachers Machine	207	1,852	1,844	215
Yearbook	158	12,431	9,787	2,802
Total Middle School	\$7,971	\$57,697	\$53,492	\$12,176
<u>LOUISE PEACOCK SCHOOL</u>				
Field Trip Fund	670	2,973	1,388	2,255
Interest Fund	64	94	117	41
Library Fund	2,519	5,638	4,828	3,329
Pencil Fund	582	1,950	1,825	707
Picture Fund	765	4,216	4,813	168
Popcorn Fund	4,696	4,885	4,593	4,988
Student Council Fund	232	0	0	232
Total Louise Peacock School	\$9,528	\$19,756	\$17,564	\$11,720
<u>ELSA MEYER SCHOOL</u>				
Chapter One Fund	92	0	0	92
Flower Fund	29	500	475	54
Interest Fund	28	47	0	75
Library Fund	1,836	10,541	9,801	2,576
Miscellaneous Fund	855	3,313	4,168	0
Picture Fund	434	3,970	2,672	1,732
Popcorn Fund	2,570	2,620	2,312	2,878
PTO Fund	497	6,571	6,533	535
Vending Fund	1,192	1,849	1,927	1,114
Total Elsa Meyer School	\$7,533	\$29,411	\$27,888	\$9,056

## CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN

## TRUST AND AGENCY FUND

## SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS JULY 1, 2003	RECEIPTS	DISBURSEMENTS	DUE TO (FROM) STUDENT GROUPS JUNE 30, 2004
<u>NELLIE REED SCHOOL</u>				
Picture Fund	\$975	\$12,746	\$11,446	\$2,275
Popcorn Fund	2,509	13,520	13,711	2,318
Total Nellie Reed School	<u>\$3,484</u>	<u>\$26,266</u>	<u>\$25,157</u>	<u>\$4,593</u>
<u>ADMINISTRATIVE</u>				
Activity Fund	1,330	2,801	3,182	949
Activity P Fund	0	488	262	226
Fitness Room	1,450	100	0	1,550
Youth Wrestling	4,953	8,004	10,736	2,221
Superintendent Checking	161	0	0	161
Total Administrative	<u>\$7,894</u>	<u>\$11,393</u>	<u>\$14,180</u>	<u>\$5,107</u>
<u>TOTALS</u>	<u>\$119,615</u>	<u>\$354,902</u>	<u>\$360,618</u>	<u>\$113,899</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

<u>1998 DURANT RESOLUTION PACKAGE BONDS</u>				
<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2005	4.761353%	\$0	\$0	\$0
2006	4.761353%	11,001	4,959	15,960
2007	4.761353%	11,523	4,435	15,958
2008	4.761353%	12,074	3,887	15,961
2009	4.761353%	12,649	3,312	15,961
2010	4.761353%	13,251	2,710	15,961
2011	4.761353%	54,931	20,388	75,319
2012	4.761353%	14,542	1,418	15,960
2013	4.761353%	15,234	725	15,959
<u>TOTAL</u>		<u>\$145,205</u>	<u>\$41,834</u>	<u>\$187,039</u>

2001 SCHOOL BUILDING AND SITE BONDS					
	INTEREST RATE	PRINCIPAL REQUIREMENT	MAY INTEREST REQUIREMENT	NOVEMBER INTEREST REQUIREMENT	TOTAL PAYMENT
PAYMENT DATE					
2004-2005	4.100%	\$335,000	\$132,846	\$132,846	\$600,692
2005-2006	4.100%	370,000	125,979	125,979	621,958
2006-2007	4.125%	390,000	118,348	118,348	626,696
2007-2008	4.125%	410,000	110,304	110,304	630,608
2008-2009	4.125%	435,000	101,848	101,847	638,695
2009-2010	4.125%	455,000	92,876	92,876	640,752
2010-2011	4.125%	480,000	83,491	83,491	646,982
2011-2012	4.125%	505,000	73,591	73,591	652,182
2012-2013	4.125%	535,000	63,175	63,175	661,350
2013-2014	4.200%	565,000	52,141	52,141	669,282
2014-2015	4.200%	595,000	40,276	40,276	675,552
2015-2016	4.375%	625,000	27,781	27,781	680,562
2016-2017	4.375%	645,000	14,109	14,109	673,218
TOTAL		\$6,345,000	\$1,036,765	\$1,036,764	\$8,418,529

CORUNNA PUBLIC SCHOOLS

CORUNNA, MICHIGAN

FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

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*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

July 13, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of  
Corunna Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Corunna Public Schools, as of and for the year ended June 30, 2004, which collectively comprise the Corunna Public Schools' basic financial statements and have issued our report thereon dated July 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Corunna Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted no immaterial instances of noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Corunna Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted no other matters involving the internal control over financial reporting.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf P.C.*

LEWIS & KNOPF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

July 13, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education of  
Corunna Public Schools

Compliance

We have audited the compliance of Corunna Public Schools with the types of compliance requirements described in *the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Corunna Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Corunna Public Schools' management. Our responsibility is to express an opinion on Corunna Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corunna Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Corunna Public Schools' compliance with those requirements.

In our opinion, Corunna Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Corunna Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Corunna Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.





Corunna Public Schools

Page 2

July 13, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf P.C.*

LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Educational Agencies:	84.010		
Title I Regular (02-03)		31530-0203	\$278,311
Title I Regular (03-04)		41530-0304	203,672
Total Title I			<u>\$481,983</u>
Innovative Education Program Strategies	84.298		
Title V LEA (03-04)		40250-0304	1,729
Enhancing Education Through Technology	84.318		
Enhancing Education Through Technology (02-03)		34290-0203	8,030
Enhancing Education Through Technology (03-04)		44290-0304	4,927
Total Enhancing Education Through Technology			<u>\$12,957</u>
Improving Teacher Quality	84.367		
Title IIA (02-03)		30520-0203	88,255
Title IIA (03-04)		40520-0304	84,746
Total Improving Teacher Quality			<u>\$173,001</u>
Total Passed Through Michigan Department of Education			<u>\$669,670</u>
Passed Through Genesee Intermediate School District:			
Safe & Drug Free Schools & Communities State Grants	84.186		
Safe & Drug Free Schools (03-04)		42860-0304	3,000
PEP - CM White Physical Fitness	84.215F	Q215F031137	4,000
Total Passed Through Genesee Intermediate School District			<u>\$7,000</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u>\$676,670</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	35,999
Bonus Commodities		N/A	6,803
Total Food Distribution			<u>\$42,802</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$48,205	\$278,311	\$0	\$0	\$48,205	\$0
0	0	203,672	0	202,624	1,048
<u>\$48,205</u>	<u>\$278,311</u>	<u>\$203,672</u>	<u>\$0</u>	<u>\$250,829</u>	<u>\$1,048</u>
0	0	1,729	0	1,729	0
8,030	8,030	0	0	8,030	0
0	0	4,927	0	4,927	0
<u>\$8,030</u>	<u>\$8,030</u>	<u>\$4,927</u>	<u>\$0</u>	<u>\$12,957</u>	<u>\$0</u>
21,353	88,255	0	0	21,353	0
0	0	84,746	0	84,746	0
<u>\$21,353</u>	<u>\$88,255</u>	<u>\$84,746</u>	<u>\$0</u>	<u>\$106,099</u>	<u>\$0</u>
<u>\$77,588</u>	<u>\$374,596</u>	<u>\$295,074</u>	<u>\$0</u>	<u>\$371,614</u>	<u>\$1,048</u>
0	0	3,000	0	3,000	0
0	0	4,000	0	4,000	0
<u>\$0</u>	<u>\$0</u>	<u>\$7,000</u>	<u>\$0</u>	<u>\$7,000</u>	<u>\$0</u>
\$77,588	\$374,596	\$302,074	\$0	\$378,614	\$1,048
0	0	35,999	0	35,999	0
0	0	6,803	0	6,803	0
<u>\$0</u>	<u>\$0</u>	<u>\$42,802</u>	<u>\$0</u>	<u>\$42,802</u>	<u>\$0</u>

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF AGRICULTURE (Continued)</u>			
School Breakfast Program	10.553	N/A	\$47,813
National School Lunch Program	10.555	N/A	180,304
National School Lunch Program	10.555	N/A	<u>1,616</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			<u>\$272,535</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$949,205</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$7,528	\$0	\$47,813	\$0	\$55,341	\$0
27,111	0	180,304	0	207,415	0
162	0	1,616	0	1,778	0
\$34,801	\$0	\$272,535	\$0	\$307,336	\$0
\$112,389	\$374,596	\$574,609	\$0	\$685,950	\$1,048

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

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FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS

\$574,609

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund	\$302,074
School Service Fund	<u>272,535</u>
<u>TOTAL</u>	<u>\$574,609</u>

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

CORUNNA PUBLIC SCHOOLS - CORUNNA, MICHIGAN  
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

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Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$616,395
<u>Less:</u> State Funded Grants			
Drivers Education			(13,258)
School Breakfast Program			(1,790)
<u>Add:</u> Timing Differences			
School Breakfast and Lunch Program Revenue Received in Subsequent Year			34,801
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District			
Safe & Drug Free Schools (CFDA 84.186)		\$3,000	
PEP - CM White Physical Fitness (CFDA 84.215F)		4,000	
Total Grants Passed Through Genesee Intermediate School District			7,000
Entitlement and Bonus Commodities (CFDA 10.550)			42,802
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$685,950</u>

CORUNNA PUBLIC SCHOOLS- CORUNNA, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

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**Financial Statements**

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)  
84.010

Name of Federal Program or Cluster  
Title I Grants to Local Educational Agencies

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No



CORUNNA PUBLIC SCHOOLS- CORUNNA, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

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2004-1) Title I (CFDA #84.010)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.